BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY, EXELON CORPORATION, PEPCO HOLDINGS, INC., PURPLE ACQUISITION CORPORATION, EXELON ENERGY DELIVERY COMPANY, LLC AND NEW SPECIAL PURPOSE ENTITY, LLC FOR APPROVALS UNDER THE PROVISIONS OF 26 DEL. C. §§ 215 AND 1016 (Filed June 18, 2014)	)	PSC DOCKET NO. 14-193

PUBLIC VERSION

DIRECT TESTIMONY

OF

DAVID C. PARCELL

PRESIDENT

TECHNICAL ASSOCIATES, INC.

ON BEHALF OF THE

DIVISION OF THE PUBLIC ADVOCATE

DECEMBER 12, 2014

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is David C. Parcell. I am President and Senior Economist of Technical Associates, Inc. My business address is Suite 580, 9030 Stony Point Parkway, Richmond, VA 23235.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I hold B.A. (1969) and M.A. (1970) degrees in economics from Virginia Polytechnic Institute and State University (Virginia Tech) and a M.B.A. (1985) from Virginia Commonwealth University. I have been a consulting economist with Technical Associates since 1970. I have provided testimony related to cost of capital and other financial issues in public utility proceedings dating back to 1972. In connection with this, I have previously filed testimony and/or testified in more than 500 utility proceedings before over 50 regulatory agencies in the United States and Canada. Attachment 1 provides a more complete description of my education and relevant work experience.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

A. Yes, I have. Since 1997, I have testified in about 20 public utility proceedings before this Commission, on behalf of the Commission Staff and the Division of Public Advocate ("DPA"). Several of these proceedings were Delmarva Power & Light Co. ("DP&L") rate proceedings.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. Technical Associates has been retained by the DPA to examine various aspects of the proposed merger application filed by Exelon Corporation ("Exelon") and Pepco Holdings, Inc. ("PHI"), wherein DP&L would become an ultimate subsidiary of Exelon.

My testimony relates to the ring fencing mechanisms proposed by DP&L and Exelon in the event the merger is approved. My colleague Glenn A. Watkins will present the DPA's position on whether or not the merger should be approved, and if so, under what conditions.

Q. WHAT IS "RING FENCING"?

A. In the context of public utilities, ring fencing generally refers to one or more mechanisms that are designed to insulate or protect a regulated public utility (and its customers) from the activities (whether regulated or unregulated) of the utility's parent and/or affiliated companies. Ring fencing often is implemented when a public utility is acquired by or merged into another entity that operates in other jurisdictions or in more risky or unregulated businesses.

In a recent report prepared for the National Association of Regulatory Utility Commissioners, ring fencing is described as " a term of art with particular significance in the utility industry."[1]

This report also cited two other definitions of ring fencing:

> Ring-fencing has been defined in different ways but generally involves techniques used to insulate the credit risk of an issuer from the risks of affiliate issuers within a corporate structure.

(*Ring-fencing Mechanisms for Insulating a Utility in a Holding Company System*, NARUC Staff Subcommittee on Accounting and Finance, 2003).

> Ring-fencing is defined as the legal walling off of certain assets or liabilities within a corporation, as in a company forming a new subsidiary to protect (ring-fence) specific assets from creditors.

Don't Fence Me Out, Steve Fetter, Public Utilities Fortnightly, October 2004.

[1] "Systematic Ring-Fencing: A Quantitative Approach to Balancing the Interests of Utilities and Regulators," prepared by Overland Consulting for the National Association of Regulatory Utility Commissioners, March 18, 2014.

Q. HAS RING FENCING EVER PROVED BENEFICIAL TO A PUBLIC UTILITY AND ITS CUSTOMERS?

A. Yes. A prominent example of the benefits of ring fencing was described in a 2005 "Report on Ring-Fencing" that was prepared by Staff members of the Utah Division of Public Utilities. This report stated:

> The purpose of such isolation [i.e., ring fencing] is primarily defensive in that it seeks to protect the utility and its ratepayers from being affected by negative factors affecting the parent holding company or affiliates. A recent example of successful ring-fencing is the matter of Portland General Electric in which Oregon regulators ordered it ring-fenced from its parent Enron. When Enron imploded Portland General was relatively unscathed, although its debt rating was reduced below investment grade and it had difficulty raising funds the short-term credit markets.[2]

As noted, even the ring fencing employed by Portland General Electric in Oregon did not totally insulate the utility from the Enron bankruptcy, as its debt rating was reduced below investment grade. Nevertheless, it apparently insulated the utility from the bankruptcy proceedings and liquidation.

Q. IS RING FENCING IMPORTANT TO THE RATING AGENCIES?

A. Yes. In a March 2005 "Rating Methodology: Global Regulated Electric Utilities" report, Moody's stated:

> Utility companies may have multiple legal entities within a single consolidated organization. This is the prevalent legal structure in the US, even for small utilities... In the US, most utility families have an unregulated holding company. The holding company will have one or more regulated operating subsidiaries, and may have one or more unregulated subsidiaries. Most utility families in the US issue debt at multiple legal entities within the organizational family.

[2] "Report on Ring-Fencing," prepared by Charles E. Peterson and Elizabeth M. Brereton, Division of Public Utilities, Utah State Department of Commerce, September 2005.

In the case of multiple legal entities within a single issuer family, **our approach is to assess each issuer on a stand-alone basis as well as evaluating the creditworthiness of the consolidated entity. We then assess the degree of legal and regulatory insulation that exists between the lower-risk regulated entities and the higher-risk unregulated entities.**

The degree of notching (i.e., the rating differential) between entities in a single family of companies depends upon the degree of insulation that exists between regulated and unregulated entities. If the regulatory framework or regulatory practice establishes that there is substantial ring-fencing type insulation for the regulated entity, there may be three or more notches of rating differential between the regulated and the unregulated entities. If there is little or no ring-fencing, there will usually be only a one- or two-notch differential between the unregulated entity (in most cases a holding company) and the regulated entity (in most cases an operating company).

Regulatory ring-fencing for utilities may include minimum equity requirements, limitations on the movement of funds from regulated entities to unregulated entities, and prohibitions against credit support by regulated entities for unregulated entities. This may exist by statute, but most typically takes the form of rules that are established by the regulator. In the United States, where these provisions are most common, the rules may differ for individual utilities in the same state.

Many regulators restrict the ability of utilities to extend intercompany loans, guarantees, or to make payments to unregulated affiliates and parent holding companies. For example, utilities in the state of Wisconsin may only pay dividends to their unregulated holding company (the ultimate parent company in these organizations) in excess of an amount established in each rate case if common equity falls below an authorized level.

Regulators also often have wide discretion to impose new restrictions on regulated entities when the utility appears to be threatened by weakness of its unregulated affiliates. For example, the state regulatory commission in Oregon established tight limitations on any movement of funds by Portland General to its parent company when the parent company filed for bankruptcy protection. These ring-fencing protections were a key reason that Portland General did not default or experience substantial financial distress while its parent was in bankruptcy.

> Where regulated utility entities are not well insulated from unregulated affiliates, the ratings of these entities will be notched fairly closely, generally within one or two notches. This will be the case even when one entity has substantially stronger financial ratios than its affiliate, if there is little or no restriction upon movement of funds between the two entities, or if there is a substantial operational interdependence. For example, where the regulated utility is highly dependent upon contractual purchases of power from its unregulated generating affiliate, the ratings of these two entities will likely be one or two notches apart even if their individual financial profiles would suggest different ratings on a stand-alone basis.
>
> **Where regulated utility entities are strongly insulated from unregulated affiliates through prohibitions on loans and credit support, where there are strong regulatory limitations on dividends, and where there is little or no operational interrelationship between regulated and unregulated affiliates, the ratings will be driven more by the stand-alone credit quality of each entity, and may be three or more notches apart.**

[Emphasis added].

Several points are apparent from this Moody's description of its ring fencing criteria. First, ring fencing is deemed to be a necessary and important factor in utility holding companies, particularly those with substantial unregulated operations. Second, ring fencing does not just protect lower-risk regulated utility operations from parent and/or other affiliate bankruptcies, but also affects credit ratings and debt costs that can be impacted by more risky unregulated operations even in the absence of a bankruptcy. Third, it is perceived that utilities' regulated operations are less risky than unregulated subsidiaries and/or operations within a holding company framework.

Q. HAVE THE RATING AGENCIES CITED RING FENCING AS AN IMPORTANT FACTOR IN THE PROPOSED MERGER BETWEEN EXELON AND PHI?

A. Yes. [redacted]

[redacted]

[redacted]

[redacted]

Q. DO YOU BELIEVE THAT RING FENCING IS ESPECIALLY IMPORTANT IN THE CIRCUMSTANCES OF THE CURRENT PROPOSED MERGER?

A. Yes, I do. There are two aspects of the recent and current financial/operational characteristics of Exelon that make it especially important that DP&L be properly ring fenced. First, Exelon has one of the largest "fleets" of nuclear power plants of any U.S. utility holding company. Some of these nuclear power plants are operated outside of the regulated subsidiaries of Exelon, meaning that they are operating in the unregulated power supply market. This is a distinguishing factor from the 2002 merger of DP&L with PEPCO to form PHI, wherein both entities had divested their generation assets and become less-risky "wires-only" companies providing transmission and distribution service.

Second, Exelon has experienced several years of adverse financial results from its unregulated generation subsidiary. In fact, Exelon cut its common share dividend in

2013 by 41%, a move that Value Line described (February 22, 2013) as an effort to preserve its investment grade credit rating, which was largely driven by the poor performance of its nonregulated assets.

Q. HAVE THE RATING AGENCIES COMMENTED ON THE RELATIVELY MORE RISKY NONREGULATED OPERATIONS OF EXELON IN THEIR CREDIT ASSESSMENTS OF THE PROPOSED MERGER?

A. Yes, they have. For example, [redacted][3]

Q. HOW DO DP&L'S SECURITY RATINGS COMPARE TO THOSE OF EXELON AND THE OTHER AFFILIATES OF EXELON AND PHI?

A. I have prepared Schedule 1 to show this comparison. As this indicates, DP&L's ratings generally compare favorably to those of certain other utility subsidiaries of PHI and Exelon (i.e., Commonwealth Edison and Atlantic City Electric), which have lower ratings than other utility subsidiaries (i.e., BG&E and PECO Energy). On the other hand, DP&L has higher ratings than those of Exelon, PHI, and Exelon Generating.

Q. HOW HAS RING FENCING BEEN ADDRESSED IN THE APPLICATION?

A. Mr. Khouzami addressed the proposed ring fencing measures that Exelon intends to implement in connection with the proposed merger. Following the merger, DP&L will remain a subsidiary of Conectiv, which will remain a subsidiary of PHI, which in turn will become a limited liability company and a subsidiary of a "special purpose entity"

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[3] [redacted]

("SPE"), which in turn will be a direct subsidiary of Exelon Energy Delivery Company, LLC.

According to Mr. Khouzami's testimony (Pages 10-11), Exelon and PHI have committed to implement the following ring fencing arrangements for at least five years following the merger:

- DP&L will maintain its separate existence and separate franchise privileges;
- DP&L will maintain separate books and records;
- DP&L's books and records pertaining to its operations in Delaware will be available for inspection and examination by the Commission; and
- DP&L will maintain separate debt so that it will not be responsible for the debts of affiliate companies and preferred stock, if any, and DP&L will maintain its own corporate debt rating, as well as ratings for long-term debt and preferred stock.

Mr. Khouzami also indicates that "Exelon anticipates obtaining a legal opinion that, as a result of the ring-fencing measures it proposes to implement, a bankruptcy court would not consolidate the assets and liabilities of the SPE with those of Exelon, in the event of an Exelon bankruptcy, or the assets and liabilities of PHI with those of either the SPE or Exelon, in the event of a bankruptcy of either of those two entities." (Khouzami Direct Testimony at 13, , lines 1-5).

The Joint Applicants' response to PSC-FN-29 (attached as Schedule 2) appears to provide a more complete description of the proposed ring fencing measures that Exelon intends to implement. I believe the most important proposed ring fencing measures are the following:

- The SPE shall maintain adequate capital in light of its contemplated business purpose, transactions and liabilities;

provided, however, the foregoing shall not require the owners to make any additional capital contributions;

- PHI and each of PHI's subsidiaries will maintain separate books, accounts and financial statements reflecting its separate assets and liabilities;

- Each PHI utility will maintain separate debt and preferred stock, if any, so that none will be responsible for the debts or preferred stock of affiliated companies, and will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PHI and its subsidiaries will use reasonable efforts to maintain separate credit ratings for their publicly traded securities. PHI and its subsidiaries will use reasonable efforts and prudence to preserve an investment grade credit rating; and

- The PHI utilities shall not make any distribution to their parent if the utility's senior unsecured credit rating, or its equivalent, is rated by two of the three major credit rating agencies below the generally accepted definition of investment grade.

Q. WERE ANY RING FENCING MECHANISMS IMPLEMENTED WHEN DP&L WAS ACQUIRED BY PEPCO IN 2002?

A. Apparently there were no ring fencing mechanisms implemented at the time of the merger of DP&L (Conectiv) and Pepco to form PHI. See Schedule 3 (response to DPA Request No. 26).

Q. HAS DP&L SUBSEQUENTLY IMPLEMENTED RING FENCING PROVISIONS?

A. Yes. DP&L has had certain ring measures in place since Opinion and Order No. 8011 on PSC Docket No. 09-414. In that proceeding, the Commission Staff maintained that the PHI unregulated affiliates' financial problems created a liquidity crisis in 2008. As a result, Staff proposed certain rink fencing measures that were designed to insulate DP&L

from any unregulated activities of PHI. In Opinion and Order No. 8011, the Commission concluded:

> We accept the Hearing Examiner's recommendation to accept certain of the proposed ring fencing measures and reject others. We do not believe that ring fencing measures are a solution in search of a nonexistent problem, as Delmarva contended at oral argument. Although PHI is now divesting itself of its unregulated subsidiaries, future PHI management could choose to enter into unregulated activities. And although we have not found that Delmarva ratepayers were negatively affected by the 2008 events involving PHI's unregulated subsidiaries, it seems clear that those events *could* have had a significant adverse effect on Delmarva and its ratepayers. We believe it is better to have measures in place to prevent such an effect rather than have to react to an event when it occurs.

Q. WHAT RING FENCING MEASURES DID THE COMMISSION IMPLEMENT IN OPINION AND ORDER NO. 8011?

A. The Commission approved the following ring fencing measures:

1. DP&L shall not make any distributions that would cause its equity capital to fall below 40% of permanent capital.

2. DP&L shall continue to maintain cash management practices for that are distinct from PHI and any affiliate.

3. DP&L shall not enter into any inter-company loans, guarantees or credit support agreements with PHI or any affiliate, or that create any expectation of any form of utility support for non-utilities.

4. DP&L shall continue to maintain accounting books and records separate from those of PHI and any affiliate.

5. DP&L and PHI provide the Commission with access to all books, records, documents, data, board minutes, presentations and forecasts of the Company, PHI and all PHI subsidiaries and affiliates; provided, however, that PHI affiliates shall not be required to disclose their business forecasts unless the Commission orders otherwise.

6. No DP&L asset, financial support, or cash flow shall be pledged or used as collateral for the benefit of any entity except DP&L, and any PHI and affiliate

financing agreements and arrangements shall disclaim any informal` representation, commitment, or expectation of such support.

7. DP&L shall file a report with the Commission on an annual basis, commencing for the year, 2011, addressing the status of its compliance with each of these rink fencing requirements.

Q. HAS DP&L FILED ANNUAL REPORTS WITH THE COMMISSION REGARDING THESE RING FENCING MEASURES?

A. Yes. DP&L provided copies of its 2012 and 2013 "Annual Ring Fencing Reports" as part of the Company's response to PSC-FN-17. A copy of the "2013 Annual Ring Fencing Report" is attached as Schedule 4.

Q. DOES DP&L ALSO FILE ANNUAL RING FENCING REPORTS IN MARYLAND?

A. Yes, it does. According to the response to PSC-FN-17, DP&L files annual Ring Fencing Reports in Maryland pursuant to COMAR Section 20.40.02.08. A copy of the 2013 Maryland Ring Fencing Report (exclusive of accompanying copy of rating agency reports) is attached as Schedule 5.

Q. DO YOU HAVE ANY CONCERNS OR RESERVATIONS ABOUT THE RING FENCING MECHANISMS BEING PROPOSED?

A. Yes. There is a decided lack of specificity in the ring fencing proposals being submitted by Exelon.

For example, even though the Joint Applicants propose that DP&L will "maintain adequate capital," there is no measure of "adequate capital" in the ring fencing mechanisms.[4] In contrast, the existing ring fencing mechanisms that DP&L has in place require that it maintain at least a 40% equity ratio in order for it to make a "distribution of capital" to its parent. In addition, although both "Commitment 11 – Corporate Organization, Financial Integrity and Ring-Fencing" in Appendix C of the Filing and Mr. Khouzami's Direct Testimony indicate that "Exelon commits to target an average equity level of at least 48% in DP&L as well as the other PHI utilities for ratemaking purposes," the proposed ring fencing provisions do not support this commitment.

I note in this regard that DP&L's response to PSC-FN-36 (attached as Schedule 6) indicates that Baltimore Gas & Electric ("BG&E"), an Exelon subsidiary, is prohibited from paying dividends to its parent company unless at least a 48% equity threshold will be maintained after the dividend is paid:

> However, pursuant to the order issued by the Maryland Public Service Commission on October 30, 2009 in connection with its approval of the transaction with EDF, BGE cannot pay common dividends if (a) after the dividend payment, BGE's equity ratio would be below 48% as calculated under the Maryland PSC's ratemaking precedents, or (b) BGE's senior unsecured credit is rated by two of the three major credit rating agencies below investment grade.

This indicates that BG&E, a Exelon affiliate, has a 48% ring fencing "commitment" that prohibits payment of dividends to Exelon unless the 48% level is maintained.

[4] DP&L does note that it will continue to comply with its existing ring fencing measures that were established in the above-cited Opinion and Order No. 8011, which cited a 40% equity threshold maintenance required for the payment of dividends to its parent company.

In addition, as stated in DP&L's response to PSC-FN-35 (attached as Schedule 7), "DP&L's dividend policy is to maintain the equity component of the capital structure in the 49% to 50% range."

Q. DOES DP&L INTEND TO APPLY ALL OF THE RING FENCING MEASURES ADOPTED IN MARYLAND IN CONNECTION WITH THE MERGER OF BG&E AND EXELON TO THE CURRENT MERGER AND RELATED RING FENCING MEASURES?

A. No, it does not. Schedule 8 shows a number of ring fencing measures adopted in connection with the BG&E/Exelon merger. I note that following the BG&E merger with Exelon (and implementation of the related ring fencing mechanisms), the rating agencies increased BG&E's credit ratings.

Q. DO YOU HAVE ANY SPECIFIC PROPOSALS TO ENHANCE THE RING FENCING OF EXELON AND DP&L IN CONNECTION WITH THE PROPOSED MERGER?

A. Yes. First, I recommend that the Commission require that the ring fencing mechanisms contain some specific guidelines with regard to the level of "adequate capital." I suggest that dividend payments to Exelon only be allowed if DP&L's common equity ratio (after the payment of dividends) exceeds some specific threshold, such as 48%. This is the common equity "threshold" cited in the Exelon – BG&E merger in Maryland.

Second, I recommend that all of the provisions of the Maryland ring fencing that were implemented in connection with the BG&E – Exelon merger be implemented for DP&L.

Third, I recommend that DP&L agree to implement any ring fencing provision in Delaware that any other PHI subsidiary agrees to or will be required to implement as a condition of merger approval in either Maryland or the District of Columbia.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes.

BACKGROUND AND EXPERIENCE PROFILE
DAVID C. PARCELL, MBA, CRRA
PRESIDENT/SENIOR ECONOMIST

EDUCATION

1985	M.B.A., Virginia Commonwealth University
1970	M.A., Economics, Virginia Polytechnic Institute and State University, (Virginia Tech)
1969	B.A., Economics, Virginia Polytechnic Institute and State University, (Virginia Tech)

POSITIONS

2007-Present	President, Technical Associates, Inc.
1995-2007	Executive Vice President and Senior Economist, Technical Associates, Inc.
1993-1995	Vice President and Senior Economist, C. W. Amos of Virginia
1972-1993	Vice President and Senior Economist, Technical Associates, Inc.
1969-1972	Research Economist, Technical Associates, Inc.
1968-1969	Research Associate, Department of Economics, Virginia Polytechnic Institute and State University

ACADEMIC HONORS

Omicron Delta Epsilon - Honor Society in Economics
Beta Gamma Sigma - National Scholastic Honor Society of Business Administration
Alpha Iota Delta - National Decision Sciences Honorary Society
Phi Kappa Phi - Scholastic Honor Society

PROFESSIONAL DESIGNATIONS

Certified Rate of Return Analyst - Founding Member

RELEVANT EXPERIENCE

Financial Economics -- Advised and assisted many Virginia banks and savings and loan associations on organizational and regulatory matters. Testified approximately 25 times before the Virginia State Corporation Commission and the Regional Administrator of National Banks on matters related to branching and organization for banks, savings and loan associations, and consumer finance companies. Advised financial institutions on interest rate structure and loan maturity. Testified before Virginia State Corporation Commission on maximum rates for consumer finance companies.

Testified before several committees and subcommittees of Virginia General Assembly on numerous banking matters.

Clients have included First National Bank of Rocky Mount, Patrick Henry National Bank, Peoples Bank of Danville, Blue Ridge Bank, Bank of Essex, and Signet Bank.

Published articles in law reviews and other periodicals on structure and regulation of banking/financial services industry.

Utility Economics -- Performed numerous financial studies of regulated public utilities. Testified in over 300 cases before some thirty state and federal regulatory agencies.

Prepared numerous rate of return studies incorporating cost of equity determination based on DCF, CAPM, comparable earnings and other models. Developed procedures for identifying differential risk characteristics by nuclear construction and other factors.

Conducted studies with respect to cost of service and indexing for determining utility rates, the development of annual review procedures for regulatory control of utilities, fuel and power plant cost recovery adjustment clauses, power supply agreements among affiliates, utility franchise fees, and use of short-term debt in capital structure.

Presented expert testimony before federal regulatory agencies Federal Energy Regulatory Commission, Federal Power Commission, and National Energy Board (Canada), state regulatory agencies in Alabama, Alaska, Arizona, Arkansas, California, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Ontario (Canada), Pennsylvania, South Carolina, Texas, Utah, Vermont, Virginia, West Virginia, Washington, Wisconsin, and Yukon Territory (Canada).

Published articles in law reviews and other periodicals on the theory and purpose of regulation and other regulatory subjects.

Clients served include state regulatory agencies in Alaska, Arizona, Delaware, Missouri, North Carolina, Ontario (Canada), and Virginia; consumer advocates and attorneys general in Alabama, Arizona, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Maryland, Nevada, New Mexico, Ohio, Oklahoma, Pennsylvania, South Carolina, Texas, Utah, Vermont, Virginia, and West Virginia; federal agencies including Defense Communications Agency, the Department of Energy, Department of the Navy, and General Services Administration; and various organizations such as Bath Iron Works, Illinois Citizens' Utility Board, Illinois Governor's Office of Consumer Services, Illinois Small Business Utility Advocate, Wisconsin's Environmental Decade, Wisconsin's Citizens Utility Board, and Old Dominion Electric Cooperative.

Insurance Economics -- Conducted analyses of the relationship between the investment income earned by insurance companies on their portfolios and the premiums charged for insurance. Analyzed impact of diversification on financial strength of Blue Cross/Blue Shield Plans in Virginia.

Conducted studies of profitability and cost of capital for property/casualty insurance industry. Evaluated risk of and required return on surplus for various lines of insurance business.

Presented expert testimony before Virginia State Corporation Commission concerning cost of capital and expected gains from investment portfolio. Testified before insurance bureaus of Maine, New Jersey, North Carolina, Rhode Island, South Carolina and Vermont concerning cost of equity for insurance companies.

Prepared cost of capital and investment income return analyses for numerous insurance companies concerning several lines of insurance business. Analyses used by Virginia Bureau of Insurance for purposes of setting rates.

Special Studies -- Conducted analyses which evaluated the financial and economic implications of legislative and administrative changes. Subject matter of analyses include returnable bottles, retail beer sales, wine sales regulations, taxi-cab taxation, and bank regulation. Testified before several Virginia General Assembly subcommittees.

Testified before Virginia ABC Commission concerning economic impact of mixed beverage license.
Clients include Virginia Beer Wholesalers, Wine Institute, Virginia Retail Merchants Association, and Virginia Taxicab Association.

Franchise, Merger & Anti-Trust Economics -- Conducted studies on competitive impact on market structures due to joint ventures, mergers, franchising and other business restructuring. Analyzed the costs and benefits to parties involved in mergers. Testified in federal courts and before banking and other regulatory bodies concerning the structure and performance of markets, as well as on the impact of restrictive practices.

Clients served include Dominion Bankshares, asphalt contractors, and law firms.

Transportation Economics -- Conducted cost of capital studies to assess profitability of oil pipelines, trucks, taxicabs and railroads. Analyses have been presented before the Federal Energy Regulatory Commission and Alaska Pipeline Commission in rate proceedings. Served as a consultant to the Rail Services Planning Office on the reorganization of rail services in the U.S.
Economic Loss Analyses -- Testified in federal courts, state courts, and other adjudicative forums regarding the economic loss sustained through personal and business injury whether due to bodily harm, discrimination, non-performance, or anticompetitive practices. Testified on economic loss to a commercial bank resulting from publication of adverse information concerning solvency. Testimony has been presented on behalf of private individuals and

business firms.

MEMBERSHIPS

American Economic Association
Virginia Association of Economists
Richmond Society of Financial Analysts
Financial Analysts Federation
Society of Utility and Regulatory Financial Analysts

Board of Directors	1992-2000
Secretary/Treasurer	1994-1998
President	1998-2000

RESEARCH ACTIVITY

Books and Major Research Reports

"Stock Price As An Indicator of Performance," Master of Arts Thesis, Virginia Tech, 1970

"Revision of the Property and Casualty Insurance Ratemaking Process Under Prior Approval in the Commonwealth of Virginia," prepared for the Bureau of Insurance of the Virginia State Corporation Commission, with Charles Schotta and Michael J. Ileo, 1971

"An analysis of the Virginia Consumer Finance Industry to Determine the Need for Restructuring the Rate and Size Ceilings on Small Loans in Virginia and the Process by which They are Governed," prepared for the Virginia Consumer Finance Association, with Michael J. Ileo, 1973

State Banks and the State Corporation Commission: A Historical Review, Technical Associates, Inc., 1974

"A Study of the Implications of the Sale of Wine by the Virginia Department of Alcoholic Beverage Control", prepared for the Virginia Wine Wholesalers Association, Virginia Retail Merchants Association, Virginia Food Dealers Association, Virginia Association of Chain Drugstores, Southland Corporation, and the Wine Institute, 1983.

"Performance and Diversification of the Blue Cross/Blue Shield Plans in Virginia: An Operational Review", prepared for the Bureau of Insurance of the Virginia State Corporation Commission, with Michael J. Ileo and Alexander F. Skirpan, 1988.

The Cost of Capital - A Practitioners' Guide, Society of Utility and Regulatory Financial Analysts, 1997 (previous editions in 1991, 1992, 1993, 1994, and 1995).

Papers Presented and Articles Published

"The Differential Effect of Bank Structure on the Transmission of Open Market Operations," Western Economic Association Meeting, with Charles Schotta, 1971

"The Economic Objectives of Regulation: The Trend in Virginia," (with Michael J. Ileo), William and Mary Law Review, Vol. 14, No. 2, 1973

"Evolution of the Virginia Banking Structure, 1962-1974: The Effects of the Buck-Holland Bill", (with Michael J. Ileo), William and Mary Law Review, Vol. 16, No. 3, 1975

"Banking Structure and Statewide Branching: The Potential for Virginia", William and Mary Law Review, Vol. 18, No. 1, 1976

"Bank Expansion and Electronic Banking: Virginia Banking Structure Changes Past, Present, and Future," William and Mary Business Review," Vol. 1, No. 2, 1976

"Electronic Banking - Wave of the Future?" (with James R. Marchand), Journal of Management and Business Consulting, Vol. 1, No. 1, 1976

"The Pricing of Electricity" (with James R. Marchand), Journal of Management and Business Consulting, Vol. 1, No. 2, 1976

"The Public Interest - Bank and Savings and Loan Expansion in Virginia" (with Richard D. Rogers), University of Richmond Law Review, Vol. 11, No. 3, 1977

"When Is It In the 'Public Interest' to Authorize a New Bank?", University of Richmond Law Review, Vol. 13, No. 3, 1979

"Banking Deregulation and Its Implications on the Virginia Banking Structure," William and Mary Business Review, Vol. 5, No. 1, 1983

"The Impact of Reciprocal Interstate Banking Statutes on The Performance of Virginia Bank Stocks", with William B. Harrison, Virginia Social Science Journal, Vol. 23, 1988

"The Financial Performance of New Banks in Virginia", Virginia Social Science Journal, Vol. 24, 1989

"Identifying and Managing Community Bank Performance After Deregulation", with William B. Harrison, Journal of Managerial Issues, Vol. II, No. 2, Summer 1990

"The Flotation Cost Adjustment To Utility Cost of Common Equity - Theory, Measurement and Implementation," presented at Twenty-Fifth Financial Forum, National

Society of Rate of Return Analysts, Philadelphia, Pennsylvania, April 28, 1993.

Biography of Myon Edison Bristow, Dictionary of Virginia Biography, Volume 2, 2001.

CONFIDENTIAL

JOINT APPLICANTS
DELAWARE PSC 14-193
RESPONSE TO PSC STAFF INITIAL REQUESTS FOR PRODUCTION
AND INTERROGATORIES

PSC-FN-29 Ring Fencing

Aside from the ring fencing measures identified in Mr. Khouzami's testimony at pages 10 and 11, including the formation of an SPE, does Exelon intend to implement any other financial conditions or governance measures to insulate Delmarva from Exelon, its subsidiaries and affiliates?

RESPONSE:

A. The ring fencing measures identified in Mr. Khouzami's testimony were presented as a general description of the ring-fencing measures Exelon intends to implement for the purpose of insulating Delmarva from Exelon and its subsidiaries and affiliates. A more complete description of the ring-fencing and other measures Exelon will implement is set forth below.

Exelon will establish a limited liability company as a special purpose entity ("SPE") for the purpose of holding 100% of the equity interest in PHI.

The SPE will be a direct subsidiary of Exelon Energy Delivery Company LLC ("EEDC").

EEDC will transfer 100% of the equity interest in PHI to the SPE as an absolute conveyance with the intention of removing PHI and its utility subsidiaries from the bankruptcy estate of Exelon and EEDC.

The SPE will have no employees and no operational functions other than those related to holding the equity interests in PHI.

The SPE shall maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, the foregoing shall not require the owners to make any additional capital contributions.

The SPE shall maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, the foregoing shall not require the owners to make any additional capital contributions.

The SPE will have four directors appointed by EEDC.

One of the four SPE directors will be an independent director, who will be an employee of an administration company in the business of protecting SPEs, and must meet the other independence criteria set forth in the SPE governing documents. **The other SPE**

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directors may be officers or employees of Exelon or its affiliates, including PHI and its subsidiaries.

The SPE will issue a non-economic interest in the SPE (a "Golden Share") to an administration company in the business of protecting SPEs and separate from the administration company retained to provide the person to serve as the independent director for the SPE.

The holder of the SPE's Golden Share will have a voting right on matters specified in the SPE governing documents, as described below.

PHI will have a board of directors consisting of 7 or more people. Of those 7 directors, 3 will be outside directors from the PHI utilities' service areas.

A voluntary petition for bankruptcy by the SPE will require the affirmative consent of the holder of the Golden Share and the unanimous vote of the SPE board of directors (including the independent director).

A voluntary petition for bankruptcy by PHI will require the affirmative consent of the holder of the Golden Share, the unanimous vote of the SPE board of directors (including the independent director), and the unanimous vote of the PHI board of directors.

A voluntary petition in bankruptcy for any of PHI's subsidiaries will require the unanimous vote of the PHI board of directors (including its independent directors) and the unanimous vote of the board of directors of the relevant PHI subsidiary.

The SPE will maintain arms-length relationships with each of its affiliates and observe all necessary, appropriate and customary company formalities in its dealings with its affiliates.

PHI and PHI's subsidiaries will maintain arms-length relationships with Exelon and its affiliates, including the SPE. PHI's CEO and other senior officers who directly report to the CEO will hold no positions with Exelon or Exelon affiliates other than PHI and PHI's subsidiaries. Controls and procedures will be designed to provide reasonable assurance that PHI's subsidiaries will not bear costs associated with the business activities of any other Exelon affiliate (other than a PHI subsidiary) other than the reasonable costs of providing materials and services to PHI (or a PHI subsidiary). PHI and its subsidiaries will maintain reasonable pricing protocols for determining transfer prices for transactions involving non-power goods and services between PHI and its subsidiaries and Exelon and any Exelon affiliate consistent with the requirements of the Commission and FERC.

At all times, the SPE will hold itself out as an entity separate from its affiliates, will conduct business in its own name through its duly authorized directors and officers and

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comply with all organizational formalities to maintain its separate existence and shall use commercially reasonable efforts to correct any known misunderstanding regarding its separate identity.

PHI and its subsidiaries will hold themselves out as separate entities from Exelon and the SPE, conduct business in their own names, and will not assume liability for the debts of Exelon or the SPE.

The SPE shall maintain its own separate books, records, bank accounts and financial statements reflecting its separate assets and liabilities.

PHI and each of PHI's subsidiaries will maintain separate books, accounts and financial statements reflecting its separate assets and liabilities.

The SPE shall comply with GAAP in all material respects (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal year-end audit adjustments) in all financial statements and reports required of it and issue such financial statements and reports separately from any financial statements or reports prepared for its affiliates; provided that such financial statements or reports may be consolidated with those of its affiliates if the separate existence of the SPE and its assets and liabilities are clearly noted therein.

The SPE shall account for and manage all of its liabilities separately from any other entity, and pay its own liabilities only out of its own funds.

The SPE shall neither guarantee nor become obligated for the debts of any other entity nor hold out its credit or assets as being available to satisfy the obligations of any other entity.

Each PHI utility will maintain separate debt and preferred stock, if any, so that none will be responsible for the debts or preferred stock of affiliated companies, and will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PHI and its subsidiaries will use reasonable efforts to maintain separate credit ratings for their publicly traded securities. PHI and its subsidiaries will use reasonable efforts and prudence to preserve an investment grade credit rating.

PHI will not assume liability for the debts of Exelon, the SPE, a PHI subsidiary, or any other affiliate of Exelon.

The PHI subsidiaries will not assume liability for the debts of Exelon, PHI, the SPE, the other PHI subsidiaries, or any other affiliate of Exelon.

The SPE shall not acquire, assume or guarantee obligations of any affiliate.

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PHI will not guarantee the debt or credit instruments of Exelon, the SPE or any other Exelon affiliate.

The PHI utilities will not guarantee the debt or credit instruments of Exelon, PHI or any other Exelon affiliate including the SPE.

The SPE shall not pledge its assets for the benefit of any other entity or make loans to, or purchase or hold any indebtedness of, any other entity.

The PHI utilities will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, Exelon, PHI or any other Exelon affiliate including the SPE.

The PHI utilities will not include in any of their debt or credit agreements cross-default provisions between the utility's securities and the securities of Exelon or any other Exelon affiliate.

The PHI utilities will not include in their debt or credit agreements any financial covenants or rating-agency triggers related to Exelon or any other Exelon affiliate.

The SPE will not commingle its funds or other assets with the funds or other assets of any other entity and shall not maintain any funds or other assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual funds or other assets from those of its owners or any other person.

PHI and each of its subsidiaries will maintain in its own name, or in the name of its subsidiaries, all assets and other interests in property used or useful in its transmission and distribution business and will not transfer its ownership interest in any such property to Exelon or an Exelon affiliate (other than a PHI subsidiary) without requisite approval of the Commission and any approval required under the Federal Power Act.

The SPE shall ensure that that its funds will not be transferred to its owners or affiliates except with the consent and authority of the SPE board of directors.

The SPE shall ensure that title to all real and personal property acquired by it is acquired, held and conveyed in its name.

No entities other than the PHI utilities will participate in the PHI utilities' money pool, the PHI utilities will not participate in any money pool operated by Exelon, and there will be no commingling of funds with Exelon.

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The SPE will maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon, PHI, or PHI's subsidiaries.

PHI and its utility subsidiaries will each maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon or its other affiliates, except that each of PHI's utility subsidiaries may identify itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries.

Any amendment to the organizational documents of the SPE that would remove or alter the voting or other ring-fencing requirements described above will require the unanimous vote of the board of directors of the SPE, including the independent director, and the affirmative consent of the holder of the Golden Share.

Within 180 days following completion of the merger, Exelon intends to obtain a legal opinion that, as a result of the ring-fencing measures it proposes to implement for PHI and its subsidiaries, a bankruptcy court would not consolidate the assets and liabilities of the SPE with those of Exelon or EEDC, in the event of an Exelon or EEDC bankruptcy, or the assets and liabilities of PHI or its subsidiaries with those of either the SPE, Exelon or EEDC, in the event of a bankruptcy of the SPE, Exelon or EEDC.

The PHI utilities shall not make any distribution to their parent if the utility's senior unsecured credit rating, or its equivalent, is rated by two of the three major credit rating agencies below the generally accepted definition of investment grade.

In the event that the board of directors of a PHI utility resolves to pay dividends, the utility shall file with the Commission, within 5 business days after the payment of the dividend, the calculations that it used to determine the equity level at the time the board considered payment of the dividends and the calculations to demonstrate that the equity ratio after the dividend payment will not fall below the common equity ratio accepted in recent rate cases by the applicable Commission.

Each PHI utility will file an annual compliance report with respect to the ring-fencing and other requirements

At the time the SPE is formed and every year thereafter, each PHI utility shall provide the Commission a certificate from an officer of Exelon certifying: (1) Exelon shall maintain the requisite legal separateness in the corporate reorganization structure; (2) the organization structure serves important business purposes for Exelon; and (3) Exelon acknowledges that subsequent creditors of PHI and the PHI utilities may rely upon the separateness of PHI and the PHI utilities and would be significantly harmed in the event separateness is not maintained and a substantive consolidation of PHI or a PHI utility with Exelon were to occur.

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Exelon shall not, without prior Commission approval, alter the corporate character of either EEDC to become a functioning corporate entity providing common support services for PHI utilities.

Exelon shall not engage in an internal corporate reorganization relating to SPE, PHI or any PHI utility, or EEDC for which Commission approval is not required without 90 days prior written notification to the Commission. Such notification shall include: (1) an opinion of reputable bankruptcy counsel that the reorganization does not materially impact the effectiveness of PHI's existing ring-fencing; or (2) a letter from reputable bankruptcy counsel describing what changes to the ring-fencing would be required to ensure PHI is at least as effectively ring-fenced following the reorganization and a letter from Exelon committing to obtain a new non-consolidation option following the reorganization and to take any further steps necessary to obtain such an opinion. Exelon will not object if the Commission elects to open an investigation into the matter if the Commission deems it appropriate, but may complete the reorganization prior to the conclusion of the Commission's investigation if Commission approval is not otherwise required.

At no time shall any PHI utility directly or indirectly own or control, or have any direct or indirect interest in or management or operation of, other utilities owned directly or indirectly by EEDC; provided that this shall not preclude arms-length relationships involving mutual cooperation and assistance, sharing best practices, activities and arrangements intended to improve operations and create efficiencies.

Each PHI utility will commit that all books and records of it pertaining to its operations in each of the jurisdictions in which it has regulated operations will be available for inspection and examination by each applicable Commission with jurisdiction over such operations.
SPONSOR: Exelon Corporation

JOINT APPLICANTS
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RESPONSE TO DPA REQUEST NO. 26

QUESTION NO. 26

Q. For each ring-fencing mechanism identified in the Joint Applicants' direct testimony:

(a) State how the proposed mechanism compares to any similar mechanism implemented in the merger of Conectiv (and Delmarva) and PHI; and

(b) State how the proposed mechanism compares to any similar mechanism implemented in the Constellation/Exelon merger.

RESPONSE:

A. (a) There were no formal ring fencing mechanisms implemented in the merger of Conectiv and Pepco, however over time, there have been measures adopted that resemble ring fencing as shown in DE 14-193 DPA SET 1 Q 26 Attachment 1 to this response. Exelon intends to fulfill all of those conditions and requirements. DE 14-193 DPA SET 1 Q 26 Attachment 1 includes the measures proposed by Exelon and the corresponding measures set forth in the various Commission orders.

(b) The new SPE that will hold the equity interest in PHI will be organized with governance documents substantially identical to the governance documents for RF HoldCo LLC, the SPE that holds the equity interest in BGE. These documents will include "separateness" measures for the SPE and other requirements. The "separateness" measures and other requirements established for PHI and PHI's utility subsidiaries will be substantially identical to the "separateness" measures and other requirements established for BGE, with appropriate adjustments to account for the differences in the corporate structure and organization of PHI.

DE 14-193 DPA SET 1 Q 26 Attachment 1 compares the ring-fencing measures proposed for PHI and its subsidiaries with comparable mechanisms established for BGE and Delmarva.

SPONSOR: PHI / Exelon Corporation

Delmarva Power & Light Company

Delaware

2013 Annual Ring Fencing Report

delmarva power

A PHI Company

79NC59
PO Box 9239
Newark, DE 19714-9239

June 17, 2014

VIA REGULAR MAIL

Ms. Alisa Bentley, Secretary
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

RE: PSC Docket No. 09-414: Delmarva Power & Light Company's 2013 Annual Ring Fencing Report

Dear Ms. Bentley:

In accordance with Order No. 8011 in the above reference docket, attached is an original and 10 copies of Delmarva Power's Annual Ring Fencing Report for the year ending December 2013. Please contact me or Heather Hall at (302) 454-4828 with any questions relating to the above referenced matter.

Very Truly Yours,

Todd L. Goodman

cc: Robert Howatt, DPSC
Janis Dillard, DPSC
David Bonar, DPA
Heather Hall, Delmarva

DELMARVA POWER & LIGHT COMPANY
2013 ANNUAL RING FENCING REPORT

Pursuant to Order No. 8011 in Docket No. 09-414, Delmarva Power & Light Company (Delmarva) provides this Ring Fencing Report for the one-year period ending December 31, 2013. Listed below are the provisions that were ordered under Ordering Paragraph No. 29 on page 147 of Order No. 09-414 and the status of compliance with each of the ring fencing requirements:

29(a) Delmarva shall not make any distributions that would cause its equity capital to fall below 40% of permanent capital.

<u>Status:</u> PHI targets a high 40% equity ratio for Delmarva, and has demonstrated its commitment to maintaining that ratio by making capital contributions to the utilities. Delmarva's equity to capital ratio as of December 31, 2013 was 46.1%.

29(b) Delmarva shall continue to maintain cash management practices for Delmarva that are distinct from PHI and any affiliate.

<u>Status:</u> Delmarva maintains its own bank accounts with no right of setoff between Delmarva and any of its affiliates, maintains separate cash transactions, and uses a cash management workstation that segregates all Delmarva cash-related activity.

29(c) Delmarva shall not enter into any inter-company loans, guarantees or credit support agreements with PHI or any affiliate, or that create any expectation of any form of utility support for non-utilities.

<u>Status:</u> PHI manages the utilities as independent companies and Delmarva has not entered into an intercompany loan, guarantee or credit support agreements with PHI or an affiliate.

29(d) Delmarva shall continue to maintain accounting books and records separate from those of PHI and any affiliate.

<u>Status:</u> Delmarva maintains its own separate accounting books and records and is a separate SEC registrant and filer.

29(e) Delmarva and PHI shall provide the Commission with access to all books, records, documents, data, board minutes, presentations and forecasts of the Company, PHI and all PHI subsidiaries and affiliates; provided, however, that PHI affiliates shall not be required to disclose their business forecasts unless the Commission orders otherwise.

Status: The Commission has been granted access to the regulated utility's books and records, based on the Delaware law.

29(f) No Delmarva asset, financial support, or cash flow shall be pledged or used as collateral for the benefit of any entity except Delmarva, and any PHI and affiliate financing agreements and arrangements shall disclaim any informal representation, commitment, or expectation of such support.

Status: Delmarva's mortgage precludes it from pledging its assets to any entity. Additionally, 26 *Del.C.* § 215 (a) (1) requires utilities to obtain Commission approval for the sale of any property, necessary or useful in the performance of its duty to the public.

29(g) Delmarva shall file a report with the Commission on an annual basis, commencing for the year, 2011, addressing the status of its compliance with each of these ring fencing requirements.

Status: By filing this 2013 Ring Fencing report, Delmarva fulfills the requirement under Order No, 8011 in Docket No. 09-414 under ordering paragraph No. 29, page 147.

Delmarva Power & Light Company

Maryland

2013 Annual Ring Fencing Report

DELMARVA POWER & LIGHT COMPANY
RING FENCING REPORT

Pursuant to COMAR Section 20.40.02.08, Delmarva Power & Light Company (Delmarva Power) provides this Ring Fencing Report for the one-year period ending December 31, 2013. Listed below are the required elements of the Report:

20.40.02.08(B)(1) A summary of all measures intended to protect the utility's financial strength and credit ratings from the activities of core service and non-core service.

The following is a description of the measures currently in effect between Delmarva Power and any core and non-core affiliates:

1) Delmarva Power maintains its own credit ratings.
2) Delmarva Power issues its own securities (debt and preferred stock) for its long term financing needs. On November 1, 2012 the Commission issued Order No. 85184 granting Delmarva Power long-term debt authorization.
3) Delmarva Power maintains its own commercial paper program to fund its short term working capital needs.
4) Delmarva Power, Potomac Electric Power Company (Pepco) and Atlantic City Electric (ACE) (regulated operations) each maintain a $250 million sub-limit under the $1.5 billion Pepco Holdings, Inc. (PHI), Delmarva Power, Pepco and ACE credit facility. The sub-limits may be increased or decreased by the utility subsidiaries a total of eight times per year, except that the aggregate amount of credit used at any given time by each of Delmarva Power, Pepco or ACE may not exceed the lesser of $500 million or the maximum amount of short-term debt the Company is permitted to have outstanding by its regulatory authorities and the total of all sub-limits including PHI may not exceed $1.5 billion. The credit agreement has no cross-default provisions and provides Delmarva Power uninterrupted liquidity access in an event of default by Pepco, ACE or PHI. The credit agreement expires August 1, 2018.
5) Bonds issued at an affiliate or the PHI level are not secured by the assets or property of Delmarva Power.
6) Delmarva Power provides stand-alone financial reports pursuant to SEC guidelines.
7) Transactions with non-regulated affiliates are governed by the PHI Regulatory Code of Conduct and Accounting Policy guidelines which protect the regulated utility's financial strength by prohibiting cross-subsidization. Those polices are listed below.

Regulatory Codes of Conduct and Accounting

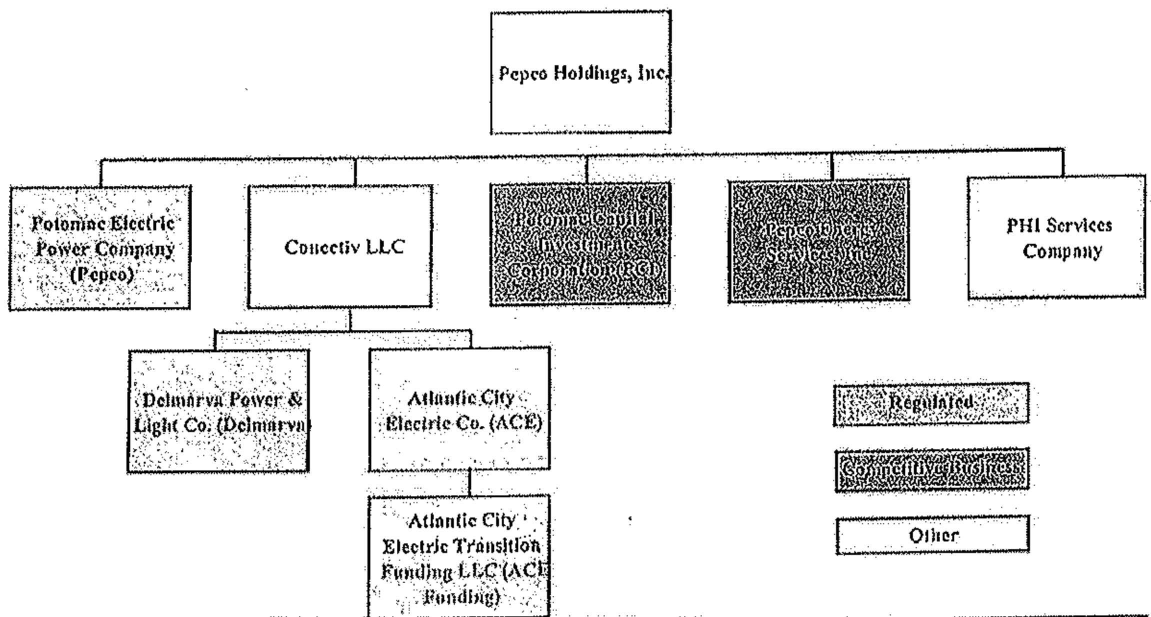
It is the policy of PHI and its affiliates and an expectation of every employee and all other persons working at the Company, regardless of employment status, to comply with all codes of conduct and accounting rules that regulate the relationship between our competitive and regulated businesses. These regulations and codes of conduct cover issues such as:

- Provision of certain information by the regulated utility to competitive businesses;

- How employees and others working at the Company describe those businesses to customers and potential customers;
- Ensuring that affiliates using regulated services are treated in a comparable manner to non-affiliates using regulated services;
- Prohibiting joint promotions (or, in some cases, restricting the way in which joint promotions may be conducted) and the passing of sales leads from regulated enterprises to competitive businesses; and
- The accounting and allocation of costs between regulated and non-regulated businesses.

20.40.02.08(B)(2) A Corporate organization chart identifying the utility and its core service and non-core service affiliates.

The following chart shows the corporate organization structure of PHI and its principal subsidiaries.



20.40.02.08(B)(3) A description of each core service and non-core service affiliate's business.

PHI, through its regulated public utilities, is engaged primarily in the transmission, distribution and default supply of electricity and the distribution and supply of natural gas (Power Delivery).

Through Pepco Energy Services, Inc. and its subsidiaries (collectively Pepco Energy Services), PHI provides energy savings performance contracting services, underground transmission and distribution construction and maintenance services, and steam and chilled water under long-term contracts.

PHI's Power Delivery business is conducted by its three regulated utility subsidiaries: Delmarva Power, Pepco and ACE.

Delmarva Power

Delmarva Power is engaged in the transmission and distribution of electricity in Delaware and portions of Maryland and provides natural gas distribution service in northern Delaware. Additionally, Delmarva Power provides Default Electricity Supply, which is the supply of electricity at regulated rates to retail customers in its service territories who do not elect to purchase electricity from a competitive supplier. Delmarva Power is a wholly owned subsidiary of Conectiv, LLC, which is wholly owned by PHI.

Pepco

Pepco is engaged in the transmission and distribution of electricity in the District of Columbia and major portions of Prince George's County and Montgomery County in suburban Maryland. Pepco also provides Default Electricity Supply, which is the supply of electricity at regulated rates to retail customers in its service territories who do not elect to purchase electricity from a competitive supplier. Pepco is a wholly owned subsidiary of PHI.

ACE

ACE is engaged in the transmission and distribution of electricity in southern New Jersey. ACE also provides Default Electricity Supply, which is the supply of electricity at regulated rates to retail customers in its service territory who do not elect to purchase electricity from a competitive energy supplier. ACE is a wholly owned subsidiary of Conectiv, LLC, which is wholly owned by PHI.

Competitive Energy & Other Non-Regulated Businesses

Competitive Energy operations are conducted through subsidiaries of Pepco Energy Services, Inc. and its subsidiaries (collectively, Pepco Energy Services); which is treated as a separate operating segment for financial reporting purposes. Other Non-Regulated business is conducted through Potomac Capital Investment Corporation (PCI).

Pepco Energy Services

Pepco Energy Services is engaged in the following businesses:

- Energy savings performance contracting business: designing, constructing and operating energy efficiency projects and distributed generation equipment, including combined heat and power plants, principally for federal, state and local government customers;
- Underground transmission and distribution business: providing underground transmission and distribution construction and maintenance services for electric utilities in North America; and
- Thermal business: providing steam and chilled water under long-term contracts through systems owned and operated by Pepco Energy Services, primarily to hotels and casinos in Atlantic City, New Jersey.

In December 2009, PHI announced that it would wind down the retail energy supply business. Pepco Energy Services is implementing this wind down by not entering into any new supply contracts, while continuing to perform under its existing supply contracts through their expiration dates. On March 21, 2013, Pepco Energy Services entered into an agreement whereby a third party assumed all the rights and obligations of the remaining retail natural gas supply customer contracts, and the associated supply obligations, inventory and derivative contracts. The transaction was completed on April 1, 2013. In addition, Pepco Energy Services completed the wind-down of its retail electric supply business in the second quarter of 2013 by terminating its remaining customer supply and wholesale purchase obligations beyond June 30, 2013. Pepco Energy Services' continuing lines of business will not be significantly affected by the wind down of the retail energy supply business.

Other Non-Regulated (PCI)

Through its subsidiary PCI, PHI held a portfolio of cross-border energy lease investments. During 2013, PHI completed the termination of its interest in its cross-border energy lease investments. .

PHI Service Company

PHI Service Company, a subsidiary service company of PHI, provides a variety of support services, including legal, accounting, treasury, tax, purchasing and information technology services to PHI and its operating subsidiaries. These services are provided pursuant to a service agreement among PHI, PHI Service Company, and the participating operating subsidiaries. The expenses of the service company are charged to PHI and the participating operating subsidiaries in accordance with costing methodologies set forth in the service agreement.

20.40.02.08(B)(4) If available, a copy of each core service and non-core service affiliate's most recently published credit rating report made by a nationally recognized credit agency.

See Attachment A.

20.40.02.08(B)(5) If a utility shares personnel with a core service or non-core service affiliate, a personnel-sharing report listing the shared personnel's position, title and function.

On a limited basis, an employee of the utility may perform services on behalf of another PHI affiliate. The amount of time worked for the affiliate is incidental and infrequent and is direct charged to a specific cost object in the receiving affiliate based on a fully costed activity type price. These employees are not considered "shared" since the work they typically perform on a "day by day" basis is for the benefit of the utility in which they are employed

20.40.02.08(B)(6) A list of asset transactions between a utility and its core service and non-core service affiliate consistent with the following guidelines:

(a) For an asset transferred to or from a utility where the book value is above $75,000, the report shall:

(i) Describe the transferred asset;

(ii) Indicate the affiliate providing or receiving the asset;

(iii) Provide the value received or given for the transferred asset; and

(iv) Provide an external appraisal or the market value of the transferred asset; and

(b) For an individual asset transferred to or from a utility where the book value is below $75,000, the report shall identify the type of asset transferred and the affiliate providing or receiving the asset.

(a) In 2013 Delmarva Power received assets, specifically laptops, from Pepco another PHI utility. The value of the assets transferred to Delmarva Power's books was the net book value of the laptops, $135,583.
(b) None.

20.40.02.08(B)(7) A list of all assets if individually accounted for or asset categories owned by the utility which were loaned or shared with a core service or non-core service affiliate.

See Attachment B.

20.40.02.08(B)(8) A list of all assets jointly owned with a core service or non-core service affiliate.

None.

20.40.02.08(B)(9) A list of all core service or non-core service affiliate debt guaranteed by the utility or secured by any utility asset.

None.

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PSC-FN-36 Corporate Governance

Do Exelon's utility subsidiaries have formal dividend policies? If so, please provide a copy of the current policies for each and note any changes that have been implemented since January 1, 2012. If the policies are the same for all, only one copy need be provided. To the extent that the dividend policy of any utility is dependent on the subjective attainment of credit rating goals (*e.g.*, strong investment grade ratings, etc.), please specify the associated S&P and Moody's ratings. Please identify any specific criteria relied upon in the application of existing dividend policies.

RESPONSE:

A. Exelon utility subsidiaries do not have formal, written dividend policies. BGE, ComEd and PECO follow the regulatory requirements on the declaration and payment of dividends as prescribed by the Illinois Commerce Commission, the Pennsylvania Public Utility Commission and the Maryland Public Service Commission. The dividends for ComEd and PECO are not dependent on the subjective attainment of credit goals. However, pursuant to the order issued by the Maryland Public Service Commission on October 30, 2009 in connection with its approval of the transaction with EDF, BGE cannot pay common dividends if (a) after the dividend payment, BGE's equity ratio would be below 48% as calculated under the Maryland PSC's ratemaking precedents, or (b) BGE's senior unsecured credit rating is rated by two of the three major credit rating agencies below investment grade. Further, pursuant to the order issued by the Maryland PSC on February 17, 2012 in connection with its approval of the transaction with Exelon, BGE cannot pay common dividends through 2014 and following the dividend restriction period BGE must notify the PSC that it intends to declare dividends on common stock at least 30 days before such a dividend is paid.

SPONSOR: Exelon Corporation

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PSC-FN-35 Corporate Governance

Does Delmarva have a formal dividend policy? If so, please provide a copy of the current policy and note any changes that have been implemented since January 1, 2012. To the extent that the dividend policy is dependent on the subjective attainment of credit rating goals (*e.g.*, strong investment grade ratings, etc.), please specify the associated S&P and Moody's ratings. Please identify any specific criteria relied upon in the application of existing dividend policies.

RESPONSE:

A. Yes. Delmarva's dividend policy is to maintain the equity component of the capital structure in the 49% to 50% range.

SPONSOR: PHI

JOINT APPLICANTS
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ATTACHMENT TO QUESTION NO. 26

The following table compares the ring-fencing measures proposed for PHI and its subsidiaries with similar mechanisms established for BGE and comparable measures in effect for Delmarva.

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Proposed for PHI	In Effect for BGE	In Effect for Delmarva
Exelon will establish a limited liability company as a special purpose entity ("SPE") for the purpose of holding 100% of the equity interest in PHI.	RF HoldCo LLC is established as a limited liability company as a special purpose entity for the purpose of holding 100% of the equity interest in BGE.	
The SPE will be a direct subsidiary of Exelon Energy Delivery Company LLC ("EEDC").	RF HoldCo LLC is a direct subsidiary of EEDC.	
EEDC will transfer 100% of the equity interest in PHI to the SPE as an absolute conveyance with the intention of removing PHI and its utility subsidiaries from the bankruptcy estate of Exelon and EEDC.	Constellation Energy Group Inc. transferred100% of the equity interest in BGE to RF HoldCo as an absolute conveyance with the intention of removing BGE from the bankruptcy estate of Constellation Energy Group Inc. (now Exelon).	
The SPE will have no employees and no operational functions other than those related to holding the equity interests in PHI.	RF HoldCo has no employees and no operational functions other than those related to holding the equity interests in BGE.	
The SPE shall maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, the foregoing shall not require the owners to make any additional capital contributions.	RF HoldCo shall maintain adequate capital in light of its contemplated business purpose, transactions and liabilities; provided, however, the foregoing shall not require the owners to make any additional capital contributions.	
SPE will have four directors appointed by EEDC.	RF HoldCo LLC has four directors appointed by EEDC.	
One of the four SPE directors will be an independent director, who will be an	One of the four RF HoldCo directors is an independent director, who is an employee of	

JOINT APPLICANTS
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RESPONSE TO DPA REQUEST NO.

employee of an administration company in the business of protecting SPEs, and must meet the other independence criteria set forth in the SPE governing documents. The other SPE directors may be officers or employees of Exelon or its affiliates, including PHI and its subsidiaries.	an administration company in the business of protecting SPEs, and meets the other independence criteria set forth in the RF HoldCo limited liability company agreement. The other RF HoldCo directors are officers or employees of Exelon or its affiliates.	
The SPE will issue a non-economic interest in the SPE (a "Golden Share") to an administration company in the business of protecting SPEs and separate from the administration company retained to provide the person to serve as the independent director for the SPE.	RF HoldCo has issued a non-economic interest in RF HoldCo (the "Golden Share") to an administration company in the business of protecting SPEs and separate from the administration company retained to provide the person to serve as the independent director for RF HoldCo.	
The holder of the SPE's Golden Share will have a voting right on matters specified in the SPE governing documents, as described below.	The holder of RF HoldCo's Golden Share has a voting right on matters specified in the RF HoldCo governing documents, as described below.	
PHI will have a board of directors consisting of 7 or more people. Of those 7 directors, 3 will be outside directors from the PHI's utilities' service areas.	At least one-third, and no less than two members, of the BGE board of directors will be independent members as that term is defined under New York Stock Exchange rules. Additionally, a majority of the BGE board of directors shall have primary residence or principal place of business or employment in BGE's service territory.	
A voluntary petition for bankruptcy by the SPE will require the affirmative consent of the holder of the Golden Share and the unanimous vote of the SPE board of directors (including the	A voluntary petition for bankruptcy by RF HoldCo requires the affirmative consent of the holder of the Golden Share and the unanimous vote of the board of directors of RF HoldCo (including the independent	

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independent director). A voluntary petition for bankruptcy by PHI will require the affirmative consent of the holder of the Golden Share, the unanimous vote of the SPE board of directors (including the independent director), and the unanimous vote of the PHI board of directors. A voluntary petition in bankruptcy for any of PHI's subsidiaries will require the unanimous vote of the PHI board of directors (including its independent directors) and the unanimous vote of the board of directors of the relevant PHI subsidiary.	director). A voluntary petition for bankruptcy by BGE requires the unanimous vote of the board of directors of BGE including its independent directors.	
The SPE will maintain arms-length relationships with each of its affiliates and observe all necessary, appropriate and customary company formalities in its dealings with its affiliates. PHI and PHI's subsidiaries will maintain arms-length relationships with Exelon and its affiliates, including the SPE. PHI's CEO and other senior officers who directly report to the CEO will hold no positions with Exelon or Exelon affiliates other than PHI and PHI's subsidiaries. Controls and procedures will be designed to provide reasonable assurance that PHI's subsidiaries will not bear costs associated with the business activities of any other Exelon	RF HoldCo shall maintain an arm's-length relationship with each of its affiliates and observe all necessary, appropriate and customary company formalities in its dealings with its affiliates. BGE shall maintain arms-length relationships with Exelon and its affiliates including RF HoldCo. BGE's CEO and other senior officers who directly report to the CEO hold no positions with Exelon or Exelon affiliates other than BGE and BGE subsidiaries. Controls and procedures will be designed to provide reasonable assurance that BGE will not bear costs associated with the business activities of any other Exelon affiliate (other than a BGE subsidiary) other than the reasonable	

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affiliate (other than a PHI subsidiary) other than the reasonable costs of providing materials and services to PHI (or a PHI subsidiary). PHI and its subsidiaries will maintain reasonable pricing protocols for determining transfer prices for transactions involving non-power goods and services between PHI and its subsidiaries and Exelon and any Exelon affiliate consistent with the requirements of the Commission and FERC.	costs of providing materials and services to BGE (or a BGE subsidiary). BGE will maintain reasonable pricing protocols for determining transfer prices for transactions involving non-power goods and services between PECO and Exelon and any Exelon affiliate consistent with the requirements of the Commission and FERC.	
At all times, the SPE will hold itself out as an entity separate from its affiliates, will conduct business in its own name through its duly authorized directors and officers and comply with all organizational formalities to maintain its separate existence and shall use commercially reasonable efforts to correct any known misunderstanding regarding its separate identity. PHI and its subsidiaries will hold themselves out as separate entities from Exelon and the SPE, conduct business in their own names, and will not assume liability for the debts of Exelon or the SPE.	RF HoldCo shall hold itself out as a separate entity separate from any other entity, conduct its business in its own name through its duly authorized directors and officers and comply with all organizational formalities to maintain its separate existence and shall use commercially reasonable efforts to correct any known misunderstanding regarding its separate identity. BGE will hold itself out as a separate entity from Exelon and RF HoldCo, conduct business in its own name, and will not assume liability for the debts of Exelon or RF HoldCo.	
The SPE shall maintain its own separate books, records, bank accounts and financial statements reflecting its separate assets and liabilities.	RF HoldCo shall maintain its own separate books, records, bank accounts and financial statements reflecting its separate assets and liabilities.	Delmarva shall continue to maintain accounting books and records separate from those of PHI and any affiliate.

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PHI and each of PHI's subsidiaries will maintain separate books, accounts and financial statements reflecting its separate assets and liabilities.	BGE shall maintain separate books, accounts and financial statements reflecting their separate assets and liabilities.	
The SPE shall comply with GAAP in all material respects (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal year-end audit adjustments) in all financial statements and reports required of it and issue such financial statements and reports separately from any financial statements or reports prepared for its affiliates; provided that such financial statements or reports may be consolidated with those of its affiliates if the separate existence of the SPE and its assets and liabilities are clearly noted therein.	RF HoldCo shall comply with GAAP in all material respects (subject, in the case of unaudited financial statements, to the absence of footnotes and to normal year-end audit adjustments) in all financial statements and reports required of it and issue such financial statements and reports separately from any financial statements or reports prepared for its affiliates; provided that such financial statements or reports may be consolidated with those of its affiliates if the separate existence of RF HoldCo and its assets and liabilities are clearly noted therein.	
The SPE shall account for and manage all of its liabilities separately from any other entity, and pay its own liabilities only out of its own funds.	RF Holdco shall account for and manage all of its liabilities separately from any other entity, and pay its own liabilities only out of its own funds.	
The SPE shall neither guarantee nor become obligated for the debts of any other entity nor hold out its credit or assets as being available to satisfy the obligations of any other entity.	RF HoldCo shall neither guarantee nor become obligated for the debts of any other entity nor hold out its credit or assets as being available to satisfy the obligations of any other entity.	
Each PHI utility will maintain separate debt and preferred stock, if any, so that none will be responsible for the debts or preferred stock of affiliated companies,	BGE maintains separate ratings by the three major debt rating agencies. BGE will use reasonable efforts to maintain separate credit ratings for its publicly traded	

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and will maintain its own corporate and debt credit rating as well as ratings for long-term debt and preferred stock, if any. PHI and its subsidiaries will use reasonable efforts to maintain separate credit ratings for their publicly traded securities. PHI and its subsidiaries will use reasonable efforts and prudence to preserve an investment grade credit rating.	securities. BGE will use reasonable efforts and prudence to preserve an investment grade credit rating.	
PHI will not assume liability for the debts of Exelon, the SPE, a PHI subsidiary, or any other affiliate of Exelon. The PHI subsidiaries will not assume liability for the debts of Exelon, PHI, the SPE, the other PHI subsidiaries, or any other affiliate of Exelon.	BGE does not assume liability for the debts of Exelon, RF HoldCo or other affiliates of Exelon.	Delmarva shall not enter into any inter-company loans, guarantees or credit support agreements with PHI or any affiliate, or that create any expectation of any form of utility support for non-utilities.
The SPE shall not acquire, assume or guarantee obligations of any affiliate. PHI will not guarantee the debt or credit instruments of Exelon, the SPE or any other Exelon affiliate. The PHI utilities will not guarantee the debt or credit instruments of Exelon, PHI or any other Exelon affiliate including the SPE.	RF HoldCo shall not acquire, assume or guarantee obligations of any affiliate. BGE will not guarantee the debt or credit instruments of Exelon or any other Exelon affiliate including RF HoldCo.	Delmarva shall not enter into any inter-company loans, guarantees or credit support agreements with PHI or any affiliate, or that create any expectation of any form of utility support for non-utilities.
The SPE shall not pledge its assets for the benefit of any other entity or make loans to, or purchase or hold any indebtedness of, any other entity.	RF HoldCo shall not pledge its assets for the benefit of any other entity or make loans to, or purchase or hold any indebtedness of, any other entity.	No Delmarva asset, financial support, or cash flow shall be pledged or used as collateral for the benefit of any entity except Delmarva, and any PHI and

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The PHI utilities will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, Exelon, PHI or any other Exelon affiliate including the SPE.	BGE will not pledge or use as collateral, or grant a mortgage or other lien on any asset or cash flow, or otherwise pledge such assets or cash flow as security for repayment of the principal or interest of any loan or credit instrument of, or otherwise for the benefit of, Exelon or any other Exelon affiliate.	affiliate financing agreements and arrangements shall disclaim any informal representation, commitment, or expectation of such support.
The PHI utilities will not include in any of their debt or credit agreements cross-default provisions between the utility's securities and the securities of Exelon or any other Exelon affiliate.	BGE will not include in any of its debt or credit agreements cross default provisions between BGE's securities and the securities of Exelon or any affiliate.	
The PHI utilities will not include in their debt or credit agreements any financial covenants or rating-agency triggers related to Exelon or any other Exelon affiliate.	BGE will not include in its debt or credit agreements any financial covenants or rating-agency triggers related to Exelon or any other Exelon affiliate.	
The SPE will not commingle its funds or other assets with the funds or other assets of any other entity and shall not maintain any funds or other assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual funds or other assets from those of its owners or any other person. PHI and each of its subsidiaries will maintain in its own name, or in the name of its subsidiaries, all assets and other interests in property used or useful in its	RF HoldCo will not commingle its funds or other assets with the funds or other assets of any other entity and shall not maintain any funds or other assets in such a manner that it will be costly or difficult to segregate, ascertain or identify its individual funds or other assets from those of its owners or any other person. BGE will maintain in its own name, or in the name of its subsidiaries, all assets and other interests in property used or useful in its transmission and distribution business and will not transfer its ownership interest	

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transmission and distribution business and will not transfer its ownership interest in any such property to Exelon or an Exelon affiliate (other than a PHI subsidiary) without requisite approval of the Commission and any approval required under the Federal Power Act.	in any such property to Exelon or an Exelon affiliate (other than a BGE subsidiary) without requisite approval of the Commission and any approval required under the Federal Power Act.	
The SPE shall ensure that that its funds will not be transferred to its owners or affiliates except with the consent and authority of the SPE board of directors.	RF HoldCo shall ensure that that its funds will not be transferred to its owners or affiliates except with the consent and authority of the RF Holdco board of directors.	
The SPE shall ensure that title to all real and personal property acquired by it is acquired, held and conveyed in its name.	RF HoldCo shall ensure that title to all real and personal property acquired by it is acquired, held and conveyed in its name.	
No entities other than the PHI utilities will participate in the PHI utilities' money pool, the PHI utilities will not participate in any money pool operated by Exelon, and there will be no commingling of funds with Exelon.	BGE will not participate in the Exelon money pool. BGE will not commingle funds with Exelon.	Delmarva shall continue to maintain cash management practices that are distinct from PHI and any affiliate.
The SPE will maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon, PHI, or PHI's subsidiaries. PHI and its utility subsidiaries will each maintain a separate name from and will not use the trademarks, service marks or other intellectual property of Exelon or its other affiliates, except that each of PHI's utility subsidiaries may identify	RF HoldCo shall maintain a separate name from and shall not use the trademarks or other intellectual property of its affiliates. BGE maintains a separate name from and does not use the trademarks, service marks or other intellectual property of Exelon or RF HoldCo, except that BGE identifies itself as "An Exelon Company".	

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itself as an affiliate of Exelon on a basis consistent with other Exelon utility subsidiaries.		
Any amendment to the organizational documents of the SPE that would remove or alter the voting or other ring-fencing requirements described above will require the unanimous vote of the board of directors of the SPE, including the independent director, and the affirmative consent of the holder of the Golden Share.	Any amendment to the organizational documents of RF HoldCo that would remove the voting or other ring-fencing requirements described above requires the unanimous approval of the RF HoldCo board of directors, including the independent director, and the affirmative consent of the holder of the Golden Share.	
Within 180 days following completion of the merger, Exelon intends to obtain a legal opinion that, as a result of the ring-fencing measures it proposes to implement for PHI and its subsidiaries, a bankruptcy court would not consolidate the assets and liabilities of the SPE with those of Exelon or EEDC, in the event of an Exelon or EEDC bankruptcy, or the assets and liabilities of PHI or its subsidiaries with those of either the SPE, Exelon or EEDC, in the event of a bankruptcy of the SPE, Exelon or EEDC.	Exelon obtained a legal opinion that, as a result of the ring-fencing measures it implemented for BGE, a bankruptcy court would not consolidate the assets and liabilities of RF HoldCo with those of Exelon, in the event of an Exelon bankruptcy, or the assets and liabilities of BGE with those of either RF HoldCo, Exelon, in the event of a bankruptcy of either of those entities.	
The PHI utilities will not pay dividends to their parent company if, after the dividend payment, its equity level would fall below the common equity ratio accepted in recent rate cases by the applicable Commission.	BGE shall not pay dividends to its parent if, after the dividend payment, BGE's equity level would fall below 48%, as equity levels are calculated under the Commission's ratemaking precedents.	Delmarva shall not make any distributions that would cause its equity capital to fall below 40% of permanent capital.

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The PHI utilities shall not make any distribution to their parent if the utility's senior unsecured credit rating, or its equivalent, is rated by two of the three major credit rating agencies below the generally accepted definition of investment grade.	BGE shall not make any distribution to its parent if BGE's senior unsecured credit rating, or its equivalent, is rated by two of the three major credit rating agencies below the generally accepted definition of investment grade	
In the event that the board of directors of a PHI utility resolves to pay dividends, the utility shall file with the Commission, within 5 business days after the payment of the dividend, the calculations that it used to determine the equity level at the time the board considered payment of the dividends and the calculations to demonstrate that the equity ratio after the dividend payment will not fall below the common equity ratio accepted in recent rate cases by the applicable Commission.	BGE shall give the Commission 30 days' notice prior to the payment of any dividend after 2014. In the event that the BGE board of directors resolves to pay dividends, BGE shall file with the Commission, within 5 business days after the payment of the dividend, the calculations that it used to determine the equity level at the time the board considered payment of the dividends and the calculations to demonstrate that the equity ratio after the dividend payment will not fall below 48%	
Each PHI utility will file an annual compliance report with respect to the ring-fencing and other requirements.	BGE and RF HoldCo shall each file an annual compliance report with the Commission with respect to the ring-fencing requirements.	Delmarva shall file a report with the Commission on an annual basis … addressing the status of its compliance with each of the ring fencing requirements [applicable to Delmarva].
At the time the SPE is formed and every year thereafter, each PHI utility shall provide the Commission a certificate from an officer of Exelon certifying: (1) Exelon shall maintain the requisite legal separateness in the corporate	At the time RF HoldCo was formed and every year thereafter, Exelon shall provide the Commission a certificate from an officer of Exelon certifying: (1) Exelon shall maintain the requisite legal separateness in the corporate reorganization	

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reorganization structure; (2) the organization structure serves important business purposes for Exelon; and (3) Exelon acknowledges that subsequent creditors of PHI and the PHI utilities may rely upon the separateness of PHI and the PHI utilities and would be significantly harmed in the event separateness is not maintained and a substantive consolidation of PHI or a PHI utility with Exelon were to occur.	structure; (2) the organization structure serves important business purposes for Exelon; and (3) Exelon acknowledges that subsequent creditors of BGE may rely upon the separateness of BGE and would be significantly harmed in the event separateness is not maintained and a substantive consolidation of BGE with Exelon were to occur.	
Exelon shall not, without prior Commission approval, alter the corporate character of either EEDC to become a functioning corporate entity providing common support services for PHI utilities.	Exelon shall not, without prior Commission approval, alter EEDC's corporate character to become a functioning corporate entity providing common support services for EEDC subsidiaries.	
Exelon shall not engage in an internal corporate reorganization relating to SPE, PHI or any PHI utility, or EEDC for which Commission approval is not required without 90 days prior written notification to the Commission. Such notification shall include: (1) an opinion of reputable bankruptcy counsel that the reorganization does not materially impact the effectiveness of PHI's existing ring-fencing; or (2) a letter from reputable bankruptcy counsel describing what changes to the ring-fencing would be required to ensure PHI is at least as	Exelon shall not engage in an internal corporate reorganization relating to RF HoldCo, BGE or EEDC for which Commission approval is not required without 90 days prior written notification to the Commission. Such notification shall include: (1) an opinion of reputable bankruptcy counsel that the reorganization does not materially impact the effectiveness of BGE's existing ring-fencing; or (2) a letter from reputable bankruptcy counsel describing what changes to the ring-fencing would be required to ensure BGE is at least as effectively ring-fenced following the	

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effectively ring-fenced following the reorganization and a letter from Exelon committing to obtain a new non-consolidation option following the reorganization and to take any further steps necessary to obtain such an opinion. Exelon will not object if the Commission elects to open an investigation into the matter if the Commission deems it appropriate, but may complete the reorganization prior to the conclusion of the Commission's investigation if Commission approval is not otherwise required.	reorganization and a letter from Exelon committing to obtain a new non-consolidation option following the reorganization and to take any further steps necessary to obtain such an opinion. Exelon will not object if the Commission elects to open an investigation into the matter if the Commission deemed it appropriate, but may complete the reorganization prior to the conclusion of the Commission's investigation if Commission approval is not otherwise required.	
At no time shall any PHI utility directly or indirectly own or control, or have any direct or indirect interest in or management or operation of, other utilities owned directly or indirectly by EEDC; provided that this shall not preclude arms-length relationships involving mutual cooperation and assistance, sharing best practices, activities and arrangements intended to improve operations and create efficiencies.	At no time shall BGE directly or indirectly own or control, or have any direct or indirect interest in or management or operation of, ComEd or PECO.	
Each PHI utility will commit that all books and records of it pertaining to its operations in each of the jurisdictions in which it has regulated operations will be available for inspection and examination by each applicable Commission with	Pursuant to various Maryland laws and regulations, BGE's books and records pertaining to its operations in Maryland are available for inspection and examination by the Commission to the extent of its jurisdiction over such operations.	Delmarva and PHI shall provide the Commission with access to all books, records, documents, data, board minutes, presentations and forecasts of Delmarva, PHI and PHI subsidiaries and affiliates: provided, however, that PHI affiliates

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jurisdiction over such operations.		shall not be required to disclose their business forecasts unless the Commission orders otherwise.

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